



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS WARNER ROBINS AIR LOGISTICS CENTER (AFMCI)

PKOI 64-10, FAR 16
Grant
5 Dec 2000

4 December 2000

MEMORANDUM FOR SEE DISTRIBUTION

FROM: WR-ALC/CV

SUBJECT: Cost Plus Fixed Fee (CPFF) Contracts

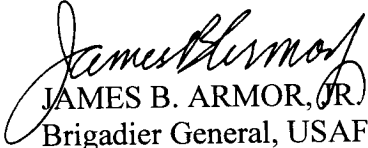
1. I recently attended a program review with SAF/AQ on a CPFF contract which had a large cost overrun. Due to the CPFF arrangement, the Air Force had no leverage over the contractor. It was not a pleasant review. I had a query run and found that WR-ALC has hundreds of CPFF contracts and even more CPFF orders. In many instances, these documents have been poorly administered and are quite old.
2. CPFF is one of the least desired contract types. It gives minimum incentive for the contractor to control cost and no guarantee of delivery, while the government assumes nearly all risk. As a result, many times our CPFF contracts have cost overruns. CPFF contracts are being used to buy the whole gamut of requirements, i.e., spares, repairs, engineering services, and system modifications. Often, these are recurring requirements or urgent requirements and a CPFF arrangement was used as a convenient/expedient method to place the requirement on contract.
3. CPFF should not be used on recurring requirements nor should it be used as an expedient means for contracting. As of this date, no CPFF orders or contracts are to be awarded without the written approval of the Director or Deputy Director of Contracting. There may be instances, after all alternatives are reviewed, that CPFF is the best pricing arrangement. However, this will be the exception.
4. Further, as cost data becomes available, contracting officers should write contracts which place more risk on the contractor than CPFF. You should not be reluctant to use an undefinitized contractual action (UCA) when the circumstance warrants but, in no instance, should CPFF be used in lieu of a UCA. Both WR-ALC/PKA and WR-ALC/PPK are available to assist with acquisition strategies and pricing methodologies. If a contractor is unwilling to negotiate a fair pricing arrangement, the matter should be elevated in your management chain.
5. Finally, as I analyze the CPFF contracts/orders, I am finding many of the documents are production complete with no emphasis on close-out procedures. We cannot afford



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this kind of visibility by SAF/AQ; therefore, I request you renew your efforts to close out the CPFF documents as quickly as possible. I have asked WR-ALC/PKP to provide regular updates to me on your progress in closing out the production complete contracts/orders.


JAMES B. ARMOR, JR.
Brigadier General, USAF
Vice Commander

cc:

WR-ALC/PK/PKP

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